

LYON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

De Noble, Austin & Company PC
Certified Public Accountants
Rock Rapids, Iowa

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	3-5
Management's Discussion and Analysis	6-18
Basic Financial Statements:	<u>Exhibit</u> 21
Government-Wide Financial Statements:	
Statement of Net Position	A 22-23
Statement of Activities	B 25
Governmental Fund Financial Statements:	
Balance Sheet	C 26-27
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Position	D 29
Statement of Revenues, Expenditures and Changes in	
Fund Balances	E 30-31
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances – Governmental Funds to the Statement of Activities	F 32
Proprietary Fund Financial Statements:	
Statement of Net Position	G 33
Statement of Revenues, Expenses and Changes in	
Fund Net Position	H 34
Statement of Cash Flows	I 35
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 36
Notes to Financial Statements	37-58
Required Supplementary Information:	59
Budgetary Comparison Schedule of Receipts, Disbursements and Changes	
in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	60
Budget to GAAP Reconciliation	61
Notes to Required Supplementary Information – Budgetary Reporting	62
Schedule of Funding Progress for the Retiree Health Plan	63
Supplementary Information:	<u>Schedule</u> 65
Nonmajor Governmental (Special Revenue) Funds:	
Combining Balance Sheet	1 66-67
Combining Schedule of Revenues, Expenditures	
and Changes in Fund Balances	2 68-69
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 70-71
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 72-73
Schedule of Revenues by Source and Expenditures by Function –	
All Governmental Funds	5 74-75
Independent Auditor's Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	79-80
Schedule of Findings	82-94
Staff	95

LYON COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
(Before January 2013)		
Merle Koedam	Board of Supervisors	December 31, 2012
Mike Modder	Board of Supervisors	December 31, 2012
Randy Bosch	Board of Supervisors	December 31, 2014
Steve Michael	Board of Supervisors	December 31, 2014
Kirk Peters	Board of Supervisors	December 31, 2014
Blythe Bloemendaal	County Sheriff	December 31, 2012
Wayne Grooters	County Auditor	December 31, 2012
Richard Heidloff	County Treasurer	December 31, 2014
Eldon Kruse	County Recorder	December 31, 2014
Carl Petersen	County Attorney	September 30, 2012 (Resigned)
Shayne Mayer	County Attorney	December 31, 2014 (Appointed November 9, 2012)
Fred Christians	County Assessor	December 31, 2015
Sheryl Boeve	County Health Services Administrator	Indefinite
Lisa Rockhill	County Central Point Coordinator	Indefinite
Steve Simons	County Economic Development Director	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
(After January 2013)		
Randy Bosch	Board of Supervisors	December 31, 2014
Steve Michael	Board of Supervisors	December 31, 2014
Kirk Peters	Board of Supervisors	December 31, 2014
Mark Behrens	Board of Supervisors	December 31, 2016
Merle Koedam	Board of Supervisors	December 31, 2016
Stewart VanderStoep	County Sheriff	December 31, 2016
Jennifer Smit	County Auditor	December 31, 2016
Richard Heidloff	County Treasurer	December 31, 2014
Eldon Kruse	County Recorder	December 31, 2014
Shayne Mayer	County Attorney	December 31, 2014
Fred Christians	County Assessor	December 31, 2015
Sheryl Boeve	County Health Services Administrator	May 31, 2013 (Retired)
Jody Folkens	County Health Services Administrator	Indefinite (Hired April 1, 2013)
Lisa Rockhill	County Central Point Coordinator	Indefinite
Steve Simons	County Economic Development Director	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Laura Stevens	County Engineer	Indefinite (Appointed January 22, 2013)

DE NOBLE, AUSTIN & COMPANY PC

Certified Public Accountants

111 S. Story Street
Rock Rapids, IA 51246
www.denoblepc.com

MEMBERS
American Institute - Certified Public Accountants
Private Companies Practice Section
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549
Fax : (712) 472-2540
Email : cpas@denoblepc.com

Independent Auditor's Report

To the Officials of Lyon County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 10 through 18 and 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight fiscal years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that was formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the fiscal year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2014 on our consideration of Lyon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lyon County's internal control over financial reporting and compliance.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 23, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

Lyon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FISCAL YEAR 2013 FINANCIAL HIGHLIGHTS

- The County's governmental fund revenues for fiscal year 2013 were \$12,968,129 compared to \$13,208,517 in fiscal year 2012, a decrease of \$(240,388), or (1.82%). Property and other county tax for fiscal year 2013 was \$5,843,719, compared to \$5,576,265 in fiscal year 2012, an increase of \$267,454, or 4.80%. Local option sales tax for fiscal year 2013 was \$616,018, compared to \$716,701 in fiscal year 2012, a decrease of \$100,683, or 14.05%. Tax increment financing for fiscal year 2013 was \$335,741, compared to \$80,478 in fiscal year 2012, an increase of \$255,263, or 317.18%. Intergovernmental revenues for fiscal year 2013 were \$4,697,199, compared to \$5,291,886 in fiscal year 2012, a decrease of \$(594,687), or (11.24%). Charges for services for fiscal year 2013 was \$866,816, compared to \$940,095 in fiscal year 2012, a decrease of \$73,279, or (8.45%). Miscellaneous revenue for fiscal year 2013 was \$275,536, compared to \$361,804 in fiscal year 2012, a decrease of \$(86,268), or (23.84%).
- The County's governmental fund expenditures for fiscal year 2013 were \$11,925,741, compared to \$13,506,671 in fiscal year 2012, a decrease of \$(1,580,930) or (11.70%). The expenditure function classification with the largest increase was public safety and legal services with an increase of \$268,772, or 9.64%. The expenditure function classifications with the largest decreases were mental health (\$628,091, or 59.55%), roads and transportation (\$771,998, or 16.19%) and capital projects (\$630,887, or 43.26%).
- The County's total governmental fund balances increased by \$1,046,905, or 17.62%, from \$5,941,368 to \$6,988,273 during fiscal year 2013. The County's total governmental fund balances decreased by \$287,524, or 4.62%, from \$6,228,892 to \$5,941,368 during fiscal year 2012.
- Revenues of the County's governmental activities decreased by \$80,253, or 0.49%. The small decrease overall was the result of the following changes during fiscal year 2013 from fiscal year 2012: charges for services increased by \$22,670; operating grants, contributions and restricted interest decreased by \$208,326; capital grants, contributions and restricted interest decreased by \$507,217; and general revenues increased by \$612,620.
- Expenses of the County's governmental activities decreased by \$(378,626) or (3.06%). The largest decreases were in the mental health function (\$627,488) and the roads and transportation function (\$114,180). The largest increases were in the public safety and legal services function (\$134,457) and the administration function (\$65,595).
- The County's government-wide net position for governmental activities for fiscal year 2013 was \$39,091,463, compared to \$34,661,182 in fiscal year 2012, an increase of \$4,430,281, or 12.78% during fiscal year 2013 (fiscal year 2012 had an increase of \$4,131,908, or 13.53%).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lyon County as a whole and present an overall view of the County's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lyon County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lyon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary information provides detailed information about the nonmajor governmental Special Revenue Funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs,

regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current activities, interest on long-term debt and minor capital projects. Property tax and state and federal grants finance most of these activities

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and County Tax Increment Financing, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911, Emergency Management Services, the County Assessor, and all the tax funds necessary to collect and distribute property taxes to schools, cities, townships and several other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Lyon County's combined net position increased \$4,430,281, or 12.78%, during this fiscal year. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30, 2013	June 30, 2012
Current and Other Assets	\$ 16,822,096	\$ 14,605,032
Capital Assets	30,895,116	28,061,879
Total Assets	47,717,212	42,666,911
Other Liabilities	7,361,371	6,588,607
Long-Term Liabilities	1,264,378	1,417,122
Total Liabilities	8,625,749	8,005,729
Net Position:		
Net Investment in Capital Assets	29,980,116	26,930,057
Restricted	6,501,579	4,485,004
Unrestricted	2,609,768	3,246,121
Total Net Position	\$ 39,091,463	\$ 34,661,182

The increase in “current and other assets” was mainly due to increases in cash, cash equivalents and pooled investments; succeeding year property tax and tax increment financing receivables; due from other governments; and inventories. “Other liabilities” increased as a result of increases in accounts payable and deferred revenues for succeeding year property tax and tax increment financing receivables. The overall increase in “other liabilities” was partially offset by a decrease in due to other governments. “Long-term liabilities” decreased due to payments made on existing long-term debt (primarily general obligation bonds).

The largest portion of the County’s net position, (76.69%), is “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.” The debt related to the investment in capital assets is liquidated with resources other than capital assets. “Restricted net position,” (16.63% of the County’s net position), represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. “Unrestricted net position,” (the remaining 6.68% of the County’s net position) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$636,353, or 19.60%, during fiscal year ended June 30, 2013, compared to an increase of \$498,059, or 18.12%, during fiscal year ended June 30, 2012. The large decrease is primarily a result of a significant year end deficit net position in the County Tax Increment Financing Fund.

Changes in Net Position of Governmental Activities		
	Year Ended June 30, 2013	Year Ended June 30, 2012
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,961,254	\$ 1,938,584
Operating Grants, Contributions and Restricted Interest	3,984,868	4,193,194
Capital Grants, Contributions and Restricted Interest	2,892,898	3,400,115

General Revenues:

Property Tax Levied for:

General Purposes	5,613,102	5,215,781
Debt Service	230,608	227,276
Hotel/Motel Tax	150,387	133,182
Local Option Sales Tax	616,018	716,700
Tax Incremental Financing	335,741	80,478
Penalty and Interest on Property Tax	22,983	21,527
State Tax Credits	255,638	209,549
Grants and Contributions not Restricted to Specific Purposes	90,356	80,660
Unrestricted Investment Earnings	96,545	104,307
Rents	46,418	47,148
Gain on Disposal of Capital Assets	93,915	107,184
Other General Revenues	30,276	25,575
Total Revenues	16,421,007	16,501,260

Program Expenses:

Public Safety and Legal Services	2,966,026	2,831,569
Physical Health and Social Services	837,823	784,661
Mental Health	428,634	1,056,122
County Environment and Education	883,987	824,981
Roads and Transportation	4,944,370	5,058,550
Governmental Services to Residents	506,084	482,930
Administration	1,101,836	1,036,241
Non-Program Current	85,741	80,478
Interest on Long-Term Debt	26,970	31,178
Capital Projects	209,255	182,642
Total Expenses	11,990,726	12,369,352

Increase in Net Position	4,430,281	4,131,908
Net Position Beginning of Year	34,661,182	30,529,274
Net Position End of Year	\$ 39,091,463	\$ 34,661,182

Lyon County decreased the total countywide property tax levy rate by 0.06203 per \$1,000 of valuation and kept the rural property tax levy rate the same. Taxable valuation by levy, actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	Taxes Levied Fiscal Year 2013	Taxes Levied Fiscal Year 2012
Countywide Taxable Valuation (*)	\$ 669,222,781	\$ 614,060,919
Countywide Levy Rate Without Debt Service	5.06643	5.09903
Dollars Levied Without Debt	\$ 3,390,570	\$ 3,131,115

Countywide Taxable Valuation for Debt Service (*)	\$	701,839,818	\$	632,781,735
Countywide Debt Service Levy		.34000		.36943
Dollars Levied for Debt Service	\$	238,626	\$	233,769
Total Countywide Levy Rate		5.40643		5.46846
Total Dollars Levied Countywide	\$	3,629,196	\$	3,364,884
Rural Taxable Valuation (*)	\$	503,062,190	\$	453,312,849
Rural Service Tax Levy		3.75198		3.75198
Dollars Levied for Rural Area Only	\$	1,887,479	\$	1,700,821
Total Levy Rate (All Property Taxes)		9.15841		9.22044
Total Dollars Levied (All Property Taxes)	\$	5,516,675	\$	5,065,705

(*) Note: Taxable valuation is value without Gas & Electric Utilities

Taxable Valuation History				
Fiscal Year	Based on January 1 st Values	Countywide Valuation	Debt Service Valuation	Rural Service Valuation
FY 2012/2013	January 1, 2011	\$ 669,222,781	\$ 701,839,818	\$ 503,062,190
FY 2011/2012	January 1, 2010	\$ 614,060,919	\$ 632,781,735	\$ 453,312,849
FY 2010/2011	January 1, 2009	\$ 588,931,440	\$ 606,553,674	\$ 431,053,746
FY 2009/2010	January 1, 2008	\$ 533,205,168	\$ 546,288,981	\$ 394,351,034
FY 2008/2009	January 1, 2007	\$ 504,398,243	\$ 515,882,898	\$ 371,879,575
FY 2007/2008	January 1, 2006	\$ 499,802,094	\$ 509,735,486	\$ 367,391,981
FY 2006/2007	January 1, 2005	\$ 492,338,833	\$ 501,828,733	\$ 359,466,942
FY 2005/2006	January 1, 2004	\$ 447,077,945	\$ 454,922,084	\$ 324,204,340
FY 2004/2005	January 1, 2003	\$ 442,415,580	\$ 450,267,510	\$ 321,739,429
FY 2003/2004	January 1, 2002	\$ 509,898,393	\$ 516,207,605	\$ 383,207,434

- Lyon County's fiscal year 2013 countywide taxable valuation (without utilities) increased \$55,161,862, or 8.98%, from fiscal year 2012; the debt service taxable valuation increased \$69,058,083, or 10.91%, from fiscal year 2012; and the rural service valuation increased \$49,749,341, or 10.97%, from fiscal year 2012.
- Taxable value is the property value used for computing property taxes. It is the fully assessed valuation reduced by any applicable tax abatement and statewide rollback factors. Residential, commercial and industrial property is based on fair market value and agricultural property is based on productivity and net earnings capacity value. Lyon County's valuations decreased sharply in fiscal year 2004/2005 due to the Iowa Department of Revenue's productivity formula on agricultural property. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. The data is updated every odd-numbered year using the past 5 years of data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property". Since the decrease in fiscal year 2004/2005, the County's taxable valuation has increased each fiscal year.

- The amount of the costs financed by users (charges for services) increased by \$22,670, or 1.17%. The increase in this type of revenue was generated by the roads and transportation function, which increased by \$82,958. The increase in revenue generated by the roads and transportation function was mostly offset by a decrease in all other functions.
- Operating grants, contributions and restricted interest decreased by \$(208,326), or (4.97%). The primary function which had a decrease in operating grant revenue was the mental health function (decreased by \$607,670, or (76.72%)). The decrease in operating grant revenue was partially offset by an increase in the roads and transportation function operating revenue (increased by \$331,928, or 10.61%).
- Capital grants, contributions and restricted interest decreased by \$(507,217), or (17.53%). The main functions that had decreases were the county environment and education function decreased by \$(70,110) and the roads and transportation function decreased by \$(410,821).
- Property and other county tax revenues levied for general purposes increased by \$397,321, or 7.62%. Tax incremental financing increased by \$255,263, or 317.18%. Local option sales tax decreased by \$(100,682), or (13.99%).
- Expenses of the County's governmental activities decreased by \$(378,626), or (3.06%). The largest decreases were in the mental health - \$(627,488) and roads and transportation (\$114,180) functions. The largest increases were in the public safety and legal services - \$134,457 and administration - \$65,595 functions.

INDIVIDUAL MAJOR FUND ANALYSIS

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed fiscal year 2013, its governmental funds reported a combined fund balance of \$6,988,273. This is in comparison to last fiscal year when the combined fund balance was \$5,941,368. This is an increase of \$1,046,905 from last year, or 17.62%. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

- **GENERAL FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The General Fund ending fund balance was \$1,987,148. This is in comparison to last fiscal year when the fund balance was \$2,066,366. This is a decrease of \$(79,218) from last year, or (3.83%). For fiscal year 2013, expenditures totaled \$5,388,766 (fiscal year 2012 = \$4,934,680), an increase of \$454,096, or 9.20%; operating transfers out totaled \$179,260 (fiscal year 2012 = \$169,926); sale of capital assets totaled \$475 (fiscal year 2012 = \$700); and revenues totaled \$5,488,343 (fiscal year 2012 = \$5,617,485), a decrease of \$(129,142), or (2.30%). The General Fund levy for fiscal year 2013 was 3.50000 (fiscal year 2012 = 3.50000); the maximum amount allowed by law is 3.50000. The

General Supplemental Fund levy was 1.20000 for both fiscal year 2013 and 2012. The General Supplemental Fund is used when the basic levy is not sufficient to meet the County's needs. Expenditures the board may certify for the General Supplemental Fund are listed in Iowa Code Section 331.424.

- Current property and other tax revenues increased primarily due to an increase in valuations.
 - Intergovernmental revenues decreased significantly due to a drop in federal and state grants/entitlements.
 - Charges for services and reimbursements from private sources revenues decreased during fiscal year 2013.
 - Public safety and legal services expenditures increased significantly due to the law enforcement communications area (primarily due to the purchase of an MCC5500 Console for \$270,491).
 - The June 30, 2013 fund balance of \$1,987,148 is comprised of \$63,236 in nonspendable balances (inventories and prepaid expenditures/lease), \$425,460 in restricted balances (supplemental levy purposes, jail improvements/courthouse security and hotel/motel tax purposes) and \$1,498,452 in unassigned balance.
- **MENTAL HEALTH FUND:** The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The Mental Health ending fund balance was \$210,300 at June 30, 2013. This is in comparison to last fiscal year when the ending fund balance was \$179,844. This is an increase of \$30,456 from last year, or 16.94%. For fiscal year 2013, expenditures totaled \$426,533 (fiscal year 2012 = \$1,054,644), a decrease of \$(628,111), or (59.56%), and revenues totaled \$457,009 (fiscal year 2012 = \$1,115,034), a decrease of \$658,025, or 59.01%. The mental health property tax levy for fiscal year 2013 was 0.36643 (fiscal year 2012 = 0.39190).
 - Lyon County entered into a 28E Agreement with Osceola County in fiscal year 2004 to share a Central Point Coordinator. The 28E Agreement continued in fiscal year 2013 with Osceola County paying Lyon County 1/3 of the CPC salary including IPERS and FICA.
 - Intergovernmental revenues and mental health expenditures both dropped significantly due to a transition in Iowa Mental Health operations at the county level due to the passage of Senate File 2315, the Mental Health and Disability (MH/DS) Redesign bill.
- **RURAL SERVICES FUND:** The Rural Service Fund accounts for property tax and other revenues used to provide services, which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road services, but excluding services financed by other statutory funds. The Rural Service ending fund balance was \$1,281,504 at June 30, 2013. This is in comparison to last fiscal year when the ending fund balance was \$1,089,381. This is an increase of \$192,123 from last year, or 17.64%. For fiscal year 2013, expenditures totaled \$951,087 (fiscal year 2012 = \$935,037), an increase over last year of \$16,050, or 1.72%; operating transfers out totaled \$1,592,757 (fiscal year 2012 = \$1,443,002), an increase of \$149,755, or 10.38%; and revenues totaled \$2,735,967 (fiscal year 2012 = \$2,663,602), an increase over last year of \$72,365, or 2.72%. The levy for fiscal year 2013 was 3.75198 (fiscal year 2012 = 3.75198). The maximum allowed by law is 3.95000.

- Beside property and other county tax dollars collected, local option sales tax and contract law enforcement are the other major revenue sources that are deposited in this fund. Major expenditures in this fund are law enforcement patrol, libraries support, zoning and environmental/sanitarian.
 - Current property tax revenues increased due to an increase in valuations.
- **SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary roads construction and maintenance. The Secondary Roads ending fund balance was \$3,782,629 at June 30, 2013. This is in comparison to last fiscal year when the ending fund balance was \$2,454,340. This is an increase of \$1,328,289 from last year, or 54.12%. For fiscal year 2013, expenditures totaled \$3,904,400 (fiscal year 2012 = \$5,862,799), a decrease from last year of \$(1,958,399), or (33.40%); fiscal year 2013 revenues totaled \$3,586,630 (fiscal year 2012 = \$3,343,145), an increase of \$243,485, or 7.28%; fiscal year 2013 transfers received totaled \$1,642,017 (fiscal year 2012 = \$1,482,928), an increase of \$159,089, or 10.73%; and fiscal year 2013 sale of capital assets totaled \$4,042 (fiscal year 2012 = \$9,930), a decrease of \$(5,888), or (59.30%).
 - Revenues increased mainly due to the amounts of intergovernmental proceeds (FEMA grant revenue and contributions from other governmental entities for infrastructure projects).
 - Expenditures in the roads and transportation function decreased mainly due to a drop in fiscal year 2013 costs in the following areas: roadway maintenance (roads) and general roadway expenditures (equipment operations).
 - Expenditures in the capital projects function decreased during fiscal year 2013 due to a fiscal year 2012 deposit in the County's Iowa Department of Transportation farm-to-market account in order for the County to continue to bid out road projects.
- **COUNTY TAX INCREMENT FINANCING:** The County Tax Increment Financing Fund is used to account for the collection of tax increment financing revenues within County urban renewal areas, the payment of tax increment financing dollars collected to a couple of qualifying businesses and the payment of infrastructure related costs within Lyon County that are eligible to be paid from a County urban renewal area. The ending fund balance at June 30, 2013 in the County T.I.F. Fund was \$(494,850). This is in comparison with the ending fund balance of \$(235,775) last fiscal year. This is a decrease of \$(259,075) during fiscal year 2013. Fiscal year 2013 revenues totaled \$335,741 in tax increment financing collections (\$85,741 for rebate tax increment financing agreements and \$250,000 for eligible County infrastructure costs). Fiscal year 2012 expenditures totaled \$594,816 (\$85,741 for rebates to a couple of businesses in County urban renewal areas and \$509,075 for infrastructure related costs in a County urban renewal area).
 - The \$494,850 unassigned deficit fund balance at June 30, 2013 is the result of an interfund loan payable to the Secondary Roads Fund.
- **DEBT SERVICE FUND:** The Debt Service Fund is used to account for property tax and other revenue designed to retire debt. The Debt Service Fund pays for the interest and principal due on the Law Enforcement Center general obligation bonds. The Debt Service Fund ending fund balance was \$10,796 at June 30, 2013. This is in comparison to last fiscal year when the ending fund balance was \$11,277. This is a \$(481) decrease from last year, or (4.27%). For fiscal year 2013, expenditures totaled \$242,323 (fiscal year 2012 = \$241,523), an increase from last fiscal year of \$800, or 0.33%,

and revenues totaled \$241,842 (fiscal year 2012 = \$237,468), an increase from last fiscal year of \$4,374, or 1.84%. Activity for fiscal year 2013 was as follows: tax collection and credits of \$241,471, interest income of \$371, principal payment of \$215,000, interest payments of \$26,823, and bond administration fees of \$500.

- **OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include Resource Enhancement and Protection, County Recorder's Records Management, Sheriff's Asset Forfeiture, CS Projects & Conservation Land Acquisition Trust, Well Closing Trust, Economic Development, County Attorney Incentive, and Revolving Loans – Development Projects are classified as non-major Special Revenue Funds.

Budgetary Highlights

In accordance with Iowa Code Section 331.434, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except Internal Service and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of fiscal year 2013, Lyon County amended its budget three times.

The first amendment was adopted August 13, 2012 and resulted in an increase in budgeted disbursement of \$273,585. Reasons for this amendment were increased expenditures for the Sheriff's new dispatch console that cost \$124,600; the courthouse purchased a panic/camera system for \$8,900 and purchased a new AS400 server at a cost of approximately \$5,000 more than original thought was needed; board control paid the final payment on the Highway 9 turning lane of \$345; board control – casino purchased new election equipment for \$86,500; and non departmental made the final payment on a mitigation plan carried over from FY2012 in the amount of \$48,240.

The second amendment was adopted on October 15, 2012 and resulted in an increase in budgeted disbursements of \$134,474. The reasoning for this amendment was board control – casino purchased 18.94 acres of land next to Lake Pahoja for \$134,474 for conservation purposes.

The third amendment was adopted on May 28, 2013 and resulted in an increase in budgeted disbursements of \$159,293. Reasons for this amendment were increased costs for supervisors' health insurance of \$3,740; the auditor moved \$9,000 from function 8 to function 9; the recorder paid out benefits upon retirement of \$4,100; the engineer moved \$10,000 from function 7 to function 10; conservation had the following additional costs: overrun on the new shop at Lake Pahoja by \$32,312, fish jetties for \$24,352, and fish kill for \$23,599, environmental education for a program for \$1,000, health insurance changes of \$740; purchased land for \$5,000; the ambulance purchased digital radios for \$7,000 and mileage for EMT education was \$3,200; board control – casino paid for a JEO contract for \$24,000; logging recording device for phone system for the Sheriff's office was \$19,500; a new phone system in the courthouse and annex cost \$16,900; a new phone system for the sheriff was \$11,700; POE switch for phone system for \$1,650; decrease function 1 by \$40,000; a treasurer remodel overran by \$500; and non departmental had \$20,000 of an interfund loan cross fiscal years as conservation did not have the funds to repay the entire loan back.

Lyon County budgets on a cash accounting basis. In fiscal year 2013, Lyon County budgeted (after final amendments) \$13,411,080 for receipts, \$13,446,807 for disbursements, \$10,000 for other financing sources,

and budgeted an ending cash balance of \$4,930,856. Lyon County actually finished the year with receipts of \$13,132,421, disbursements of \$12,169,161, other financing sources of \$6,587, and an ending cash balance of \$5,926,430.

Capital Assets and Debt Administration

Capital Assets

Lyon County concluded fiscal year 2013 with \$42,778,866 invested in a broad range of capital assets, including public safety equipment, buildings, park activities, roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Capital Assets of Governmental Activities at Year End			
	June 30, 2013		June 30, 2012
Land	\$ 1,882,118	\$	1,717,119
Buildings & Improvements	7,536,240		7,350,934
Machinery, Equipment & Vehicles	10,308,948		9,986,006
Infrastructure	22,249,250		18,341,017
Construction in Progress	802,310		1,594,063
Total	<u>\$ 42,778,866</u>	<u>\$</u>	<u>38,989,139</u>

This year's major asset additions included:

Ambulance:

No Major Assets

Conservation:

2012 Dodge Pickup-\$33,445
Land (Terwee)-\$134,474
New Shop at Pahoja-\$192,312
2 Rock Jetties-\$24,352
Land (Venenga)-\$5,000

Courthouse:

Pictometry 2013 Flyover-\$18,878
AS 400 Server-\$21,229
IBM System Server-\$13,057
Remodel Tax Dept-\$17,042
Panasonic Phone System-\$17,767
11 Voting Opticals-\$58,520

Secondary Roads:

Vink Property 35-98-46/DN Bridge-\$25,525
FMC060(76)-55-60-\$1,241,028
FMC060(93)-55-60-\$911,946

FmC060(94)-55-60-\$753,127
STP-S-C060(890-5E-60-\$710,004
Pictometry 2013 Flyover-\$18,878
Motorola MTR-3000 Repeater-\$9,103
46 Motorola Radios-\$25,600
Box Culvert Dale Twp3-\$44,982
Pipe Culvert Lyon Twp36-\$21,926
Box Culvert Wheeler Twp9-\$26,737
Box Culvert Midland Twp25-\$53,983
Pipe Culvert Rock Twp1-\$33,516
Box Culvert Wheeler 22-\$110,984
'13 12M2aWD(#55) Cat Grader-\$285,020

Sheriff:

MCC5500 Console-\$270,491
2013 Chevy Impala-\$28,760
2013 Chevy Impala-\$28,760
2013 Chevy Impala-\$28,760
Patrol Car Modems-\$12,600
Eventide/Nexlog 740 Logger-\$20,276
Panasonic Phone System-\$12,284

The County had depreciation expense of \$1,555,032 in fiscal year 2013 and total accumulated depreciation of \$11,883,750 as of June 30, 2013.

Long-Term Debt

Lyon County issued \$1,540,000 in General Obligation Refunding Bonds, Series 2011A dated March 15, 2010 with the interest rate at 2% - 2.95%. Final principal payment will be due June 1, 2017. The paying agent is Bankers Trust of Des Moines. On June 30, 2013, Lyon County's outstanding debt for general obligation bonds was \$915,000; compared to \$1,130,000 on June 30, 2012.

The County entered into a 10 year interest free promissory note for property purchased by the Conservation department for real estate in fiscal year 2002/2003. The promissory note was for \$18,220. The promissory note provided for annual principal payments on October 15 in the amount of \$1,822. On June 30, 2013, the remaining balance was \$0; compared to \$1,822 on June 30, 2012.

Outstanding Long-Term Debt of Governmental Activities at Year-End

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land Loan Payable	\$ 0	\$ 1,822
Net OPEB Liability	66,481	26,295
Compensated Absences	282,897	259,005
General Obligation Bonds	915,000	1,130,000
Total	<u>\$ 1,264,378</u>	<u>\$ 1,417,122</u>

The Constitution of the State of Iowa limits the amount of general obligation debt (as determined by State of Iowa regulations) counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits this figure is 100% valuation less military exemptions). Lyon County's outstanding general obligation debt at June 30, 2013 of \$1,409,850 (general obligation bonds of \$915,000 and interfund TIF debt of \$494,850 – Note 3) is significantly below its constitutional debt limit of approximately \$59 million. Additional information about the County's long-term debt is presented in Notes 7 and 10 to the financial statements.

Economic Factors and Next Year's Budgets and Rates (Fiscal Year 2014)

Lyon County's elected and appointed officials/departments considered many factors when setting the fiscal year 2014 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Lyon County in December 2013 was at 2.4% (December 2012 was at 2.6%). This compared with the State's December 2013 unemployment rate of 4.2% (December 2012 was at 5.0%) and the national rate of 6.5% (December 2012 was at 7.6%).

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's December 2013 CPI rate was 221.194 (December 2012 = 219.033). The national December 2013 CPI rate was 233.548 (December 2012 = 229.601).

These indicators affect the adopted budget for fiscal year 2014. Total disbursements and transfers in the fiscal year 2014 operating budget is \$15,150,204, compared to \$14,901,472 in the original budget for

fiscal year 2013; an increase of \$248,732, or 1.67%. Utility replacement and property tax dollars in the 2014 budget is \$5,787,598, compared to \$5,580,107 in 2013, an increase of \$207,491, or 3.72%. Countywide valuations (with utilities) for fiscal year 2014 are \$731,805,337 compared to \$677,100,234 in fiscal year 2013, an increase of \$54,705,103, or 8.07%. Rural valuations (with utilities) for fiscal year 2014 are \$554,476,719 compared to \$508,616,764 in fiscal year 2013, an increase of \$46,859,955, or 9.21%.

Budgeted disbursements and transfers for fiscal year 2014 increased, overall, a net amount of \$248,732 over fiscal year 2013. The decreases/increases by function are as follows:

Function 1: Public Safety and Legal Services – \$(115,455)

Function 3: Physical Health and Social Services – \$29,773

Function 4: Mental Health - \$(507,095)

Function 6: County Environment and Education - \$54,551

Function 7: Roads and Transportation - \$97,664

Function 8: Governmental Services to Residents - \$878

Function 9: Administration - \$(55,621)

Function 10: NonProgram Current – \$(1,495)

Function 10: Debt Service - \$700

Function 10: Capital Projects – \$353,000

Transfers: \$391,832

Budgeted transfers to the Secondary Roads Fund are \$123,492 from the General Basic Fund and \$1,665,509 from the Rural Service Fund; this is the maximum allowed by law.

Budgeted transfers to the Economic Development Fund are \$65,000 from the General Basic Fund and \$65,000 from the Rural Services Fund.

Budgeted transfers to the Secondary Roads Fund for the TIF Certified December 1, 2012; transfer \$494,848 from the County Tax Increment Financing Fund.

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. Lyon County is at the maximum levy rate and does levy in the General Supplemental Fund. The General Supplemental levy for fiscal year 2014 is 1.20000. The General Supplemental levy remains unchanged compared to fiscal year 2013.

Iowa Code limits the Rural Services Basic levy rate to \$3.95 per \$1,000 of taxable value. Rural Services also has available a supplemental levy for expenditures if the maximum levy rate is met. Lyon County is below the maximum levy rate. The Rural Services levy for fiscal year 2014 is 3.35451. The Rural Service levy for fiscal year 2013 was 3.75198.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Jennifer Smit
Lyon County Auditor
206 South 2nd Avenue
Rock Rapids, Iowa.
jsmit@co.lyon.ia.us
(712) 472-8517

Lyon County Board of Supervisors:

Steve Michael	District #1	Term: 1-1-2011 to 12-31-2014
Merle Koedam	District #2	Term: 1-1-2013 to 12-31-2016
Mark Behrens	District #3	Term: 1-1-2013 to 12-31-2016
Randy Bosch	District #4	Term: 1-1-2011 to 12-31-2014
Kirk Peters	District #5	Term: 1-1-2011 to 12-31-2014

Sources: Unemployment: <http://www.iowaworkforce.org> <http://iwin.iwd.state.ia.us>
Consumer Price index (Bureau of Labor Statistics): <http://data.bls.gov>
State Auditor's Office: <http://auditor.iowa.gov>

Lyon County

Basic Financial Statements

Lyon County

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash, Cash Equivalents and Pooled Investments	\$ 7,653,065
Receivables:	
Property Tax:	
Delinquent	13
Succeeding Year	5,516,805
Tax Increment Financing:	
Succeeding Year	580,375
Interest and Penalty on Property Tax	11
Accounts	395,783
Accrued Interest	229
Due from Agency Funds	66,615
Due from Other Governments	1,166,867
Inventories	1,267,530
Prepaid Expenses	117,343
Prepaid Lease	57,460
Capital Assets (Net of Accumulated Depreciation)	30,895,116
Total Assets	<u>47,717,212</u>
Liabilities	
Accounts Payable	1,093,919
Contracts Payable	24,940
Salaries and Benefits Payable	56,921
Compensated Absences Payable	8,922
Due to Other Governments	67,731
Accrued Interest Payable	1,846
Deferred Revenue:	
Succeeding Year Property Tax	5,516,805
Succeeding Year Tax Increment Financing	580,375
Other	9,912

Lyon County

Statement of Net Position

June 30, 2013

Liabilities (Continued)**Long-Term Liabilities:**

Portion Due or Payable Within One Year:

General Obligation Bonds	220,000
Compensated Absences	240,931

Portion Due or Payable After One Year:

General Obligation Bonds	695,000
Compensated Absences	41,966
Net OPEB Liability	66,481

Total Liabilities

8,625,749

Net Position

Net Investment in Capital Assets 29,980,116

Restricted for:

Supplemental Levy Purposes	328,351
Jail Improvements/Courthouse Security	94,236
Hotel/Motel Tax Purposes	60,121
Mental Health Purposes	206,333
Rural Services Purposes	1,235,050
Secondary Roads Purposes	4,273,821
Debt Service	8,950
Other Purposes	294,717

Unrestricted 2,609,768

Total Net Position

\$ 39,091,463

See notes to financial statements.

Lyon County
Statement of Activities
Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Expenses					
Functions/Programs:					
Governmental Activities:					
Public Safety and Legal Services	\$ 2,966,026	643,083	100,798	0	(2,222,145)
Physical Health and Social Services	837,823	318,596	160,209	0	(359,018)
Mental Health	428,634	23,186	184,433	0	(221,015)
County Environment and Education	883,987	213,091	77,820	68,545	(524,531)
Roads and Transportation	4,944,370	494,460	3,459,149	2,824,353	1,833,592
Governmental Services to Residents	506,084	265,315	2,459	0	(238,310)
Administration	1,101,836	3,523	0	0	(1,098,313)
Non-Program Current	85,741	0	0	0	(85,741)
Interest on Long-Term Debt	26,970	0	0	0	(26,970)
Capital Projects	209,255	0	0	0	(209,255)
Total	\$ 11,990,726	1,961,254	3,984,868	2,892,898	(3,151,706)
General Revenues:					
Property and Other County Tax Levied for:					
General Purposes					5,613,102
Debt Service					230,608
Local Option Sales Tax					616,018
Hotel/Motel Tax					150,387
Tax Increment Financing					335,741
Penalty and Interest on Property Tax					22,983
State Tax Credits					255,638
Grants and Contributions Not Restricted to Specific Purpose					90,356
Unrestricted Investment Earnings					96,545
Rents					46,418
Gain on Disposal of Capital Assets					93,915
Miscellaneous					30,276
Total General Revenues					7,581,987
Change in Net Position					4,430,281
Net Position Beginning of Year					34,661,182
Net Position End of Year					\$ 39,091,463

See notes to financial statements.

Lyon County

Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue							Debt Service	Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	County Tax Increment Financing					
Assets										
Cash, Cash Equivalents and Pooled Investments	\$ 1,786,278	265,971	1,191,743	2,369,390	0		10,795	302,253	5,926,430	
Receivables:										
Property Tax:										
Delinquent	11	1	0	0	0		1	0	13	
Succeeding Year	3,273,461	236,136	1,777,843	0	0		229,365	0	5,516,805	
Tax Increment Financing:										
Succeeding Year	0	0	0	0	0	580,375	0	0	580,375	
Interest and Penalty on Property Tax Accounts	11	0	0	0	0	0	0	0	11	
Accrued Interest	299,429	0	1,621	8,414	0	0	0	11,325	320,789	
Due from Other Governmental Funds	229	0	0	0	0	0	0	0	229	
Due from Agency Funds	21,700	0	0	495,177	0	0	0	0	516,877	
Due from Other Governments	65,792	0	0	0	0	0	0	823	66,615	
Inventories	114,583	4,099	113,168	866,113	0	0	0	68,904	1,166,867	
Prepaid Expenditures	10,087	48	432	1,256,963	0	0	0	0	1,267,530	
Prepaid Lease	53,149	0	0	64,194	0	0	0	0	117,343	
	0	0	0	57,460	0	0	0	0	57,460	
Total Assets	\$ 5,624,730	506,255	3,084,807	5,117,711	580,375		240,161	383,305	15,537,344	

Liabilities and Fund Balances

Liabilities:

Accounts Payable	\$ 68,224	14,758	936	662,210	0	0	82,314	828,442
Contracts Payable	0	0	0	24,940	0	0	0	24,940
Salaries and Benefits Payable	29,662	0	1,587	25,672	0	0	0	56,921
Compensated Absences	5,025	0	3,897	0	0	0	0	8,922
Due to Other Governmental Funds	0	0	327	0	494,850	0	21,700	516,877
Due to Other Governments	9,543	45,061	989	12,138	0	0	0	67,731
Deferred Revenue:								
Succeeding Year Property Tax	3,273,461	236,136	1,777,843	0	0	229,365	0	5,516,805
Succeeding Year Tax Increment Financing		0	0	0	580,375	0	0	580,375
Other	251,667	0	17,724	610,122	0	0	68,545	948,058
Total Liabilities	3,637,582	295,955	1,803,303	1,335,082	1,075,225	229,365	172,559	8,549,071

Fund Balances:

Nonspendable:								
Inventories	10,087	48	432	1,256,963	0	0	0	1,267,530
Prepaid Expenditures/Lease	53,149	0	0	121,654	0	0	0	174,803
Restricted For:								
Supplemental Levy Purposes	327,936	0	0	0	0	0	0	327,936
Jail Improvements/Courthouse Security	56,693	0	0	0	0	0	0	56,693
Hotel/Motel Tax Purposes	40,831	0	0	0	0	0	0	40,831
Mental Health Purposes	0	210,252	0	0	0	0	0	210,252
Rural Services Purposes	0	0	1,281,072	0	0	0	0	1,281,072
Secondary Roads Purposes	0	0	0	2,404,012	0	0	0	2,404,012
Debt Service	0	0	0	0	0	10,796	0	10,796
Other Purposes	0	0	0	0	0	0	119,342	119,342
Committed For:								
Economic Development Puposess	0	0	0	0	0	0	179,545	179,545
Unassigned	1,498,452	0	0	0	(494,850)	0	(88,141)	915,461
Total Fund Balances	1,987,148	210,300	1,281,504	3,782,629	(494,850)	10,796	210,746	6,988,273
Total Liabilities and Fund Balances	\$ 5,624,730	506,255	3,084,807	5,117,711	580,375	240,161	383,305	15,537,344

See notes to financial statements.

Lyon County

**Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position**

June 30, 2013

Total Governmental Fund Balances (Pages 26-27) \$ 6,988,273

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$42,778,866 and the accumulated depreciation is \$11,883,750. 30,895,116

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 938,146

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 1,536,152

Long-term liabilities, including the accrued interest payable, general obligation bonds payable, certain compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,266,224)

Net Position of Governmental Activities (Pages 22-23) \$ 39,091,463

Lyon County

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds**

June 30, 2013

	Special Revenue					County Tax Increment Financing	Debt Service	Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads					
Revenues:									
Property and Other County Tax	\$ 3,555,294	236,484	1,821,333	0	0	0	230,608	0	5,843,719
Local Option Sales Tax	0	0	616,018	0	0	0	0	0	616,018
Hotel/Motel Tax	111,806	0	0	0	0	0	0	0	111,806
Tax Increment Financing	0	0	0	0	335,741	0	0	0	335,741
Interest and Penalty on Property Tax	22,984	0	0	0	0	0	0	0	22,984
Intergovernmental	714,334	217,334	270,858	3,474,129	0	0	10,863	9,681	4,697,199
Licenses and Permits	31,869	0	22,230	8,460	0	0	0	0	62,559
Charges for Service	784,478	2,055	895	3,092	0	0	0	76,296	866,816
Use of Money and Property	131,988	0	0	2,894	0	0	371	498	135,751
Miscellaneous	135,590	1,136	4,633	98,055	0	0	0	36,122	275,536
Total Revenues	5,488,343	457,009	2,735,967	3,586,630	335,741	0	241,842	122,597	12,968,129
Expenditures:									
Operating:									
Public Safety and Legal Services	2,227,793	0	822,281	0	0	0	0	6,940	3,057,014
Physical Health and Social Services	801,927	0	16,093	0	0	0	0	0	818,020
Mental Health	0	426,553	0	0	0	0	0	0	426,553
County Environment and Education	592,059	0	111,040	0	0	0	0	124,545	827,644
Roads and Transportation	0	0	0	3,749,085	246,406	0	0	0	3,995,491
Governmental Services to Residents	522,281	0	1,673	0	0	0	0	11,153	535,107
Administration	1,110,242	0	0	0	0	0	0	0	1,110,242
Non-Program Current	0	0	0	0	0	0	0	0	85,741
Debt Service	0	0	0	0	0	0	242,323	0	242,323
Capital Projects	134,474	0	0	155,315	262,669	0	0	275,148	827,606
Total Expenditures	5,388,776	426,553	951,087	3,904,400	594,816	0	242,323	417,786	11,925,741

Excess (Deficiency) of Revenues Over (Under) Expenditures	99,567	30,456	1,784,880	(317,770)	(259,075)	(481)	(295,189)	1,042,388
Other Financing Sources (Uses):								
Sale of Capital Assets	475	0	0	4,042	0	0	0	4,517
Operating Transfers In	0	0	0	1,642,017	0	0	130,000	1,772,017
Operating Transfers Out	(179,260)	0	(1,592,757)	0	0	0	0	(1,772,017)
Total Other Financing Sources (Uses)	(178,785)	0	(1,592,757)	1,646,059	0	0	130,000	4,517
Changes in Fund Balances	(79,218)	30,456	192,123	1,328,289	(259,075)	(481)	(165,189)	1,046,905
Fund Balances Beginning of Year	2,066,366	179,844	1,089,381	2,454,340	(235,775)	11,277	375,935	5,941,368
Fund Balances End of Year	\$ 1,987,148	210,300	1,281,504	3,782,629	(494,850)	10,796	210,746	6,988,273

See notes to financial statements.

Lyon County

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities**

Year Ended June 30, 2013

Change in Fund Balances - Total Governmental Funds (Pages 30-31)

\$ 1,046,905

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,616,898	
Capital assets contributed by the Iowa Department of Transportation	2,824,352	
Depreciation expense	<u>(1,555,032)</u>	2,886,218

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources (the basis of the capital assets disposed does not affect the governmental funds).

(52,981)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(8)	
Other	<u>514,318</u>	514,310

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments were as follows:

Repaid		216,822
--------	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(23,892)	
Other postemployment benefits	(40,186)	
Interest on long-term debt	<u>353</u>	(63,725)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

(117,268)**Change in Net Position of Governmental Activities (Page 25)**\$ 4,430,281

See notes to financial statements.

Lyon County
Statement of Net Position
Proprietary Fund

June 30, 2013

**Internal Service -
Employee
Group
Health**

Assets

Current Assets:

Cash, Cash Equivalents and Pooled Investments	\$ 1,726,635
Accounts Receivable	74,994
Total Current Assets	1,801,629

Liabilities

Current Liabilities:

Accounts Payable	265,477
------------------	---------

Net Position

Unrestricted	\$ 1,536,152
--------------	---------------------

See notes to financial statements.

Lyon County

**Statement of Revenues, Expenses and Changes
in Fund Net Position
Proprietary Fund**

Year Ended June 30, 2013

		<u>Internal Service - Employee Group Health</u>
Operating Revenues:		
Reimbursements from Governmental Funds	\$	1,229,820
Reimbursements from Agency Fund (Assessor)		51,840
Reimbursements from Current Employees		107,660
Reimbursements from Others		30,280
Insurance Reimbursements/Pharmacy Rebates		<u>587,135</u>
Total Operating Revenues		<u>2,006,735</u>
Operating Expenses:		
Medical Claims	\$	1,835,884
Insurance Premiums		281,472
Administrative Fees		23,249
Certification of Insurance		100
Chapter 509A Filing Actuarial Fee		950
GASB 45 Actuarial Report Fee		<u>2,650</u>
Total Operating Expenses		<u>2,144,305</u>
Operating Loss		(137,570)
Non-Operating Revenues:		
Interest Income		<u>20,302</u>
Net Loss		(117,268)
Net Position Beginning of Year		<u>1,653,420</u>
Net Position End of Year	\$	<u><u>1,536,152</u></u>

See notes to financial statements.

Lyon County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2013

	<u>Internal Service - Employee Group Health</u>
Cash Flows from (Used by) Operating Activities:	
Cash Received from Governmental Funds Reimbursements	\$ 1,229,820
Cash Received from Agency Fund Reimbursements	51,840
Cash Received from Employees and Others	137,940
Cash Received from Insurance Reimb./Pharmacy Rebates	531,412
Cash Paid to Suppliers for Services/Charges	<u>(2,078,270)</u>
Net Cash Used by Operating Activities	(127,258)
Cash Flows from Investing Activities:	
Interest on Investments	<u>20,302</u>
Net Decrease in Cash and Cash Equivalents	(106,956)
Cash and Cash Equivalents Beginning of Year	<u>1,833,591</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,726,635</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (137,570)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Increase in Accounts Receivable	(55,723)
Increase in Accounts Payable	<u>66,035</u>
Net Cash Used by Operating Activities	<u><u>\$ (127,258)</u></u>

See notes to financial statements.

Lyon County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

Assets

Cash, Cash Equivalents and Pooled Investments:

County Treasurer	\$ 756,113
Other County Officials	73,227
Flex Spending Plan	6,778

Receivables:

Property Tax:

Delinquent	83
Succeeding Year	12,090,918

Tax Increment Financing:

Succeeding Year	433,305
-----------------	---------

Accounts	15,357
----------	--------

Due from Other Agency Fund	296
----------------------------	-----

Due from Other Governments	30,000
----------------------------	--------

Inventories	1,637
-------------	-------

Prepaid Expenses	23,696
------------------	--------

Total Assets	13,431,410
---------------------	-------------------

Liabilities

Accounts Payable	18,209
------------------	--------

Due to County's Governmental Funds	66,615
------------------------------------	--------

Due to Other Agency Fund	296
--------------------------	-----

Due to Other Governments	13,229,519
--------------------------	------------

Trusts Payable	101,662
----------------	---------

Compensated Absences	15,109
----------------------	--------

Total Liabilities	13,431,410
--------------------------	-------------------

Net Position	\$ 0
---------------------	-------------

See notes to financial statements.

Lyon County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Lyon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials and department heads that assist the Board of Supervisors include the Central Point Coordinator, Conservation Director, Engineer, Health Services Administrator and the Economic Development Director. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lyon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary

relationship with the organization and, as such, are reported in an Agency Fund of the County for the Assessor, Joint E911 Service and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2013, the County did not receive any revenue from or contribute/pay any money to the Region III Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium, the Northwest Iowa Regional Housing Authority, or the Lyon County Economic Development Consortium. The County paid \$368 to the Northwest Iowa Solid Waste Agency for florescent bulbs disposal, \$3,300 to YES for juvenile services provided and \$42,376 in support for the Emergency Management Services. The Joint E911 Service paid the County \$5,000 - modified accrual basis/\$10,000 - cash basis) for sign work and supplies; the Emergency Management Services paid the County \$2,400 for office space rent and \$620 for phone privileges; and the County Assessor contributed \$51,840 to the County's Internal Service Fund, Employee Group Health, to participate in the County's health insurance plan.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position (previously referred to as net position) and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Tax Increment Financing Fund is used to account for the collection of tax increment financing in county urban renewal areas. The County expends tax increment financing collections in the form of rebate payments to a couple businesses to infrastructure in the urban renewal areas and costs related improvements (roads, etc.) in an additional urban renewal district.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general obligation bonds long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax and tax increment financing are recognized as revenue in the fiscal year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of any general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to various funds, employees and others for health plan costs, insurance reimbursements and pharmacy rebates. Operating expenses for the Internal Service Fund include the cost of

services and administrative related expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Equivalents and Pooled – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and the investment in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) where the cost and fair market value are considered equal.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; are based on January 1, 2011 assessed property valuations; are for the tax accrual period July 1, 2012 through June 30, 2013 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid to the County as of June 30, 2013. The General Fund accounts receivable total includes \$86,442 in jail fee receivables and \$63,763 in ambulance charges receivables for which it is possible that a large portion of these jail fee and ambulance charges receivables may not be collected within one year.

Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Fund, Due to Other Governmental Funds, Due to County's Governmental Funds and Due to Other Agency Fund – During the course of its operations, the County has numerous transactions between the County's governmental funds, the Employee Group Health Fund and agency funds, and between different agency funds. To the extent that certain transactions between the County's governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments. The Secondary Roads Fund due from other governments total includes \$263,845 in reimbursements from other governments for infrastructure project reimbursements in which it is possible that a large portion of these reimbursements may not be collected within one year.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist mainly of expendable supplies held for consumption and some secondary roads supplies available for resale. Inventories of governmental funds are recorded as expenses/expenditures when consumed or sold rather than when purchased. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale at the jail.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/expenditures and prepaid lease represent a lease agreement and other expenses/expenditures that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles (when any) and infrastructure assets acquired after July 1, 2004 (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Building Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 15
Vehicles	3 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other requirements are met.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds, revenues that have been received but are not earned as of June 30, 2013, as well as property tax receivable, charges for services receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which each is levied and other revenues that have been received but are not earned as of June 30, 2013.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A

liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements only for employees that have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads and Economic Development Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Bond issuance costs, if any, are reported as deferred charges and amortized over the term of the related debts.

In the governmental fund financial statements, the face amount of any debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2013, the County had the following investments:

Type	Pool/Number	Maturity Date	Fair Value
FHLMC	SER 2115 CL	January 15, 2029	\$ 37,364
FHLMC	SER 1570 CL	August 15, 2023	9,802
			<u>\$ 47,166</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,002 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) with a carrying and fair value of \$124,403, that are not subject to risk categorization.

Interest rate risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The County's FHLMC investments at June 30, 2013 are rated Aaa by Moody's Investors Service. The investments in the Iowa Public Agency Investment Trust and the Wells Fargo Advantage Government Money Market Fund at June 30, 2013 are unrated.

Concentration of credit risk - The County places no limit on the amount that may be invested in any one type of investment or any single issuer, except for prime banker's acceptances and commercial paper. Each type of investment, prime banker's acceptances and commercial paper, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker's acceptances and commercial paper. Also, no more than five percent of the amount invested in commercial paper shall be invested in paper rated in the

second highest classification. The County had no investments in prime banker's acceptances and commercial paper during the fiscal year ended June 30, 2013.

(3) Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Fund, Due to Other Governmental Funds, Due to County's Governmental Funds, and Due to Other Agency Fund

The detail of receivables and payables between the County's different governmental funds, governmental funds and agency funds, and between different agency funds for transactions at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	CS Projects and Conservation Land Acquisition Trust	\$ 21,700
	Agency:	55,311
	County Offices (Recorder, Sheriff, Conservation)	154
	Other (Flex Spending Plan)	10,327
	Auto License and Use Tax	
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	327
	County Tax Increment Financing	494,850
County Recorder's Records Management	County Offices (Recorder)	823
Agency:	Agency:	
Other (Co. Recorder's Electronic Fee)	County Offices (Recorder)	296
	Total	<u>\$ 583,788</u>

Most of these balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur or money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund or agency fund.

The balance owed to the General Fund by the C5 Projects and Conservation Land Acquisition Trust Fund is the result of an interfund loan to help cover the cost of erecting a new shop at Lake Pahoja due to costs exceeding revenues generated by this Fund. Repayment will be made on this interfund loan as anticipated grant proceeds and fees collected from Lake Pahoja come in during fiscal year 2014.

The balance owed to the Secondary Roads Fund by the County Tax Increment Financing Fund is the result of interfund loans to help improve qualifying roadways in an urban renewal area in

Lyon County. Repayments will be made on the interfund loans as tax increment financing proceeds are received.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	General	\$ 114,260
Secondary Roads	Special Revenue:	
	Rural Services	\$ 1,527,757
Economic Development	General	65,000
	Special Revenue:	
	Rural Services	65,000
		<u>\$ 1,772,017</u>

The Rural Services and General Funds transfers to the Secondary Roads Fund were to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Rural Services and General Funds transfers to the Economic Development Fund were to provide funding for the Economic Development Fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,717,119	164,999	0	1,882,118
Construction in Progress	1,594,063	3,116,480	(3,908,233)	802,310
Total Capital Assets Not Being Depreciated	<u>3,311,182</u>	<u>3,281,479</u>	<u>(3,908,233)</u>	<u>2,684,428</u>
Capital Assets Being Depreciated:				
Buildings	6,513,991	209,354	(48,400)	6,674,945
Improvements Other Than Buildings	836,943	24,352	0	861,295
Machinery, Equipment and Vehicles	9,986,006	926,065	(603,123)	10,308,948
Infrastructure	18,341,017	3,908,233	0	22,249,250
Total Capital Assets Being Depreciated	<u>35,677,957</u>	<u>5,068,004</u>	<u>(651,523)</u>	<u>40,094,438</u>
Less Accumulated Depreciation For:				
Buildings	1,965,545	154,994	(43,560)	2,076,979
Improvements Other Than Buildings	389,836	40,398	0	430,234
Machinery, Equipment and Vehicles	5,621,307	622,304	(554,982)	5,688,629

Infrastructure	2,950,572	737,336	0	3,687,908
Total Accumulated Depreciation	10,927,260	1,555,032	(598,542)	11,883,750
Total Capital Assets Being Depreciated, Net	24,750,697	3,512,972	(52,981)	28,210,688
Governmental Activities Capital Assets, Net	28,061,879	6,794,451	(3,961,214)	30,895,116

The County does not have any “intangible” capital assets as of June 30, 2013.

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 214,400
Physical Health and Social Services	701
County Environment and Education	89,374
Roads and Transportation	1,166,702
Governmental Services to Residents:	17,380
Administration	66,475
Total Depreciation Expense – Governmental Activities	<u>\$ 1,555,032</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other county tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services/Utilities	<u>\$ 9,543</u>
Special Revenue:		
Mental Health	Services	45,061
Rural Services	Services	989
Secondary Roads	Services/Utilities	12,138
Special Revenue Total		<u>58,188</u>
Total for Governmental Funds		<u>\$ 67,731</u>
Agency:		
County Offices	Collections	\$ 16,618
Agricultural Extension Education		204,807
County Assessor		376,891
Schools		8,611,723
Community Colleges		485,604
Corporations		2,775,670
Townships		295,153
Auto License and Use Tax		229,894
E911 Surcharge		162,717

E911 Operating	8,008
Emergency Management	56,280
All Other	<u>6,154</u>
Total for Agency Funds	<u>\$ 13,229,519</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Bonds	Compensated Absences	Land Loan	Net OPEB Liability	Total
Balance Beginning of Year	\$ 1,130,000	259,005	1,822	26,295	1,417,122
Increases	0	376,718	0	40,186	416,904
Decreases	(215,000)	(352,826)	(1,822)	(0)	(569,648)
Balance End of Year	<u>915,000</u>	<u>282,897</u>	<u>0</u>	<u>66,481</u>	<u>1,264,378</u>
Due Within One Year	\$ 220,000	240,931	0	0	460,931
<u>Bonds Payable</u>					

A summary of the County's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	2.00%	\$ 220,000	22,523	242,523
2015	2.25%	225,000	18,122	243,122
2016	2.60%	230,000	13,060	243,060
2017	2.95%	240,000	7,080	247,080
Total		<u>\$ 915,000</u>	<u>60,785</u>	<u>975,785</u>

During the fiscal year ended June 30, 2013, the County retired \$215,000 in general obligation refunding bonds. The County paid interest of \$26,823 and bond administration charges of \$500. These general obligations bonds are being redeemed through the Debt Service Fund.

Land Loan Payable

During the fiscal year ended June 30, 2004, the County purchased real estate for conservation purposes for \$59,620. The County paid for most of the purchase price from the General Fund with a portion of the cost being set up to be paid as a promissory note to the seller. The note carried a 0% interest rate. The promissory note provided for payment of principal in the amount of \$1,822 on the 15th of each October until the note was satisfied. The County paid off the final \$1,822 of the loan during the fiscal year ended June 30, 2013, resulting in a loan balance of \$0 on June 30, 2013. This loan was satisfied through the General Fund.

(8) Operating Lease Arrangement

Fair Building

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. As per the agreement, the County agreed to and paid for one-half of the building costs up to \$100,000 in 2000.

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The \$57,460, reported as a prepaid lease asset in the Statement of Net Position and the Balance Sheet (Governmental Funds) in the Secondary Roads Fund, represents the amortized value of the lease benefit remaining from July 1, 2013 until September 24, 2030.

(9) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$368,800, \$347,464, and \$306,069, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 84 active and 2 retired members participating in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-funded medical plan administered by First Administrators, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual Required Contribution	\$ 55,310
Interest on Net OPEB Obligation	1,052
Adjustment to Annual Required Contribution	<u>(918)</u>
Annual OPEB Cost	55,444
Contributions Made	<u>(15,258)</u>
Increase in Net OPEB Obligation	40,186
Net OPEB Obligation Beginning of Year	<u>26,295</u>
Net OPEB Obligation End of Year	<u>\$ 66,481</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$15,258 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
2011	\$ 10,163	13.7%	18,243
2012	\$ 10,168	20.8%	26,295
2013	\$ 55,444	27.5%	66,481

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$452,697, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$452,697. The covered payroll (annual payroll of active employees

covered by the plan) was approximately \$3,454,701 and the ratio of the UAAL to covered payroll was 13.1%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 combined Mortality Table projected to 2013 using Scale AA. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$11,500 annually for retirees less than age 60 and \$14,100 annually for retirees who have attained age 60. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

Lyon County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$171,582.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$2,000,000, employee blanket bonding in the amount of \$200,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$55,000. Claims in excess of coverage are insured through purchase of stop loss insurance from the Sun Life Assurance Company of Canada/Sun Life Financial. The stop loss insurance coverage has a maximum lifetime reimbursement amount of \$2,000,000 per eligible participant and an annual maximum aggregate reimbursement of \$1,000,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, stop loss insurance premiums and claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contributions from governmental funds to this fund for the year ended June 30, 2013 were \$1,229,820. The County Assessor contributed \$51,840 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$265,477, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,536,152 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid medical claims beginning of fiscal year	\$ 199,442
Incurred medical claims (including medical claims incurred but not reported as of June 30, 2013):	
Current and prior year events	1,835,884
Payments:	
Current and prior year events	<u>(1,769,849)</u>
Unpaid medical claims end of fiscal year	<u>\$ 265,477</u>

The change in the provision for events of prior fiscal years for incurred claims and payments on claims attributable to events of prior fiscal years is not disclosed separately. This information is not available as it was not determined by the actuary while preparing the actuarial opinion.

(13) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2013, except for \$368 for the disposal of florescent bulbs.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a “Local Government Guarantee” in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$3,033,042 as of June 30, 2013 and the portion of the liability that has been recognized by the Agency as of June 30, 2013 is \$1,819,825. The estimated remaining life of the landfill is 26 years and the capacity used at June 30, 2013 is approximately 60 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2013, assets of \$1,608,266 are restricted for these purposes.

The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules (a local government guarantee and local government financial test in place for the unfunded amounts). Also, please see the Agency’s audit report for note disclosure regarding litigation between the Agency and the Iowa Attorney General. The Iowa Attorney General is seeking penalties for supposed improperly sold waste disposal. No estimate has been made as to any possible future assessments to the County.

(14) Deficit Fund Balance

The Special Revenue, County Tax Increment Financing Fund had a deficit fund balance of \$494,850 on June 30, 2013. This deficit balance is the result of qualifying road improvement costs within a County urban renewal area in excess of available funds. This deficit will be eliminated in fiscal year 2014 upon collection of tax increment financing revenues.

The Special Revenue, CS Projects & Conservation Land Acquisition Trust Fund had a deficit fund balance of \$88,141 on June 30, 2013. This deficit balance is the result of costs of putting up a new shop at Lake Pahoja exceeding revenues generated by this fund. Anticipated grant proceeds and fees collected from Lake Pahoja in fiscal year 2014 will be used to eliminate this deficit balance.

(15) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. Adjustments to the base amount using updated census data will be implemented in subsequent fiscal years as outlined in the agreement. The estimated annual base charges for fiscal years ending June 30, 2014-2017 are \$9,844 per year for a total of \$39,376. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid \$9,844 on this commitment during the fiscal year ended June 30, 2013.

In January 2013, the Board of Supervisors approved the construction of ten new permanent seasonal camp sites at Lake Pahoja at an approximate cost of \$50,000 from the CS Projects and Conservation Land Acquisition Trust Fund. The new sites will be completed and available for rent in fiscal year 2014 at a cost per site of \$1,800 per year. The Board of Supervisors approved that all revenue received in fiscal year 2014 from the new permanent camping sites and in fiscal year 2015 the revenue generated from all permanent camping sites will be deposited into the CS Projects and Conservation Land Acquisition Trust Fund.

(16) Subsequent Events

In July 2013, the County paid \$441,600 for 120,000 tons of gravel from the Secondary Roads Fund.

In July 2013, the Board of Supervisors approved a short term loan in the amount of \$68,545 from the General Basic Fund to the CS Projects and Conservation Land Acquisition Trust Fund to be used to purchase land for conservation purposes. This interfund loan is to be repaid before the end of fiscal year end 2014. The loan will be repaid with proceeds to be received from an Iowa State Private Foundation Trust Grant (\$15,000) and an Iowa Wildlife Habitat Stamp Grant (\$53,545).

In July 2013, the Board of Supervisors approved a contract for emergency repairs on A-26 for \$139,341 (consisting of berm repair for \$66,000 and slide repair for \$73,341). The contracted work was completed and paid in August 2013 by the Secondary Roads Fund for a total of \$158,399 due to additional work necessary to complete the slide repair.

In August 2013, the County paid \$77,836 (\$68,545 from the CS Projects and Conservation Land Acquisition Trust Fund and \$9,291 from the REAP Fund) to the Iowa Natural Heritage Foundation for the purchase of land to be used for conservation purposes.

In September 2013, the County paid \$206,558 for the microsurfacing of A-50 and \$276,360 for the microsurfacing of K-12 through the Secondary Roads Funds.

In September 2013, the Board of Supervisors approved the purchase a 2014 Ford Explorer by the Secondary Roads Fund for \$26,934 (\$29,934 purchase price less trade-in of \$3,000).

In October 2013, the County paid \$196,226 from the Secondary Roads Fund for the purchase of a new wheel loader.

In October 2013, the Board of Supervisors approved a short term interfund loan in the amount of \$55,000 from the General Basic Fund to the CS Projects and Conservation Land Acquisition Trust Fund to be used for the construction costs of ten new permanent seasonal camp sites at Lake Pahoja. This interfund loan is to be repaid before the end of fiscal year end 2014.

In April 2014, the Board of Supervisors approved the purchase of 5.31 acres of land at a cost of \$15,000 per acre plus additional purchase costs. This land is being purchased to become the location where a new Secondary Roads shop is intended to be built.

In April 2014, the Board of Supervisors approved contracts for the construction of two new cabins at Lake Pahoja for \$225,755. The costs for the project, including the construction contract and additional interior finishings, is to be paid with \$230,000 from the General Basic Fund (\$80,000 from restricted funds - hotel/motel tax proceeds) and any additional costs above the \$230,000 will be paid by the CS Projects and Conservation Land Acquisition Trust Fund.

(17) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(18) Special Investigation

The County requested the Office of Auditor of State to perform a special investigation of the Lyon County Engineer's Office as a result of concerns identified of alleged misappropriation of funds by employees. The Auditor of State's special investigation for the period August 1, 2007 through May 31, 2013 identified \$13,947 of undeposited collections, which included \$4,863 of septic system inspection fee collections (which could not be identified or were diverted by the County Engineer) and \$9,084 of undeposited collections of proceeds from the sale of scrap materials. Additionally, the special investigation identified \$404,224 of costs paid by the County for road resurfacing, which should have been billed in a timely manner to certain cities within the County, but were not.

Copies of the Auditor of State's special investigation report were filed with the Lyon County Attorney's Office, the Osceola County Attorney's Office, the Attorney General's Office, the Lyon County Sheriff's Office and the Iowa Division of Criminal Investigation.

(19) Contingencies

In May 2013, a lawsuit was filed against a sheriff's deputy alleging a violation of due process rights against the plaintiff. The County and the County's officials deny any liability in this dispute and a general denial answer to the complaint has been filed. This issue has been passed on to the County's insurance carrier's legal counsel and any damages other than punitive in nature would be covered by insurance. No amount for any possible liability is reflected in the County's financial statements.

Lyon County

Required Supplementary Information

Lyon County
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances—
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year Ended June 30, 2013

		Budgeted Amounts		Final to
	Actual	Original	Final	Actual
				Variance
Receipts:				
Property and Other County Tax	\$ 6,938,389	6,948,546	6,948,546	(10,157)
Interest and Penalty on Property Tax	22,973	19,070	19,070	3,903
Intergovernmental	4,796,684	5,067,583	5,205,397	(408,713)
Licenses and Permits	61,088	78,386	78,386	(17,298)
Charges for Service	867,810	766,465	766,465	101,345
Use of Money and Property	134,984	150,776	150,776	(15,792)
Miscellaneous	310,493	170,546	242,440	68,053
Total Receipts	13,132,421	13,201,372	13,411,080	(278,659)
Disbursements				
Public Safety and Legal Services	3,073,517	3,047,340	3,190,380	116,863
Physical Health and Social Services	817,968	938,756	938,756	120,788
Mental Health	626,177	1,063,182	1,063,182	437,005
County Environment and Education	848,482	871,043	944,734	96,252
Roads and Transportation	4,095,979	4,530,326	4,520,326	424,347
Governmental Services to Residents	538,165	485,576	567,176	29,011
Administration	1,187,133	1,138,384	1,215,274	28,141
Non-Program Current	85,741	90,425	110,425	24,684
Debt Service	242,323	242,423	242,423	100
Capital Projects	653,676	472,000	654,131	455
Total Disbursements	12,169,161	12,879,455	13,446,807	1,277,646
Excess (Deficiency) of Receipts Over				
(Under) Disbursements	963,260	321,917	(35,727)	998,987
Other Financing Sources, Net	6,587	10,000	10,000	(3,413)
Excess (Deficiency) of Receipts and Other				
Financing Sources Over (Under)				
Disbursements and Other Financing Uses	969,847	331,917	(25,727)	995,574
Balance Beginning of Year	4,956,583	4,247,331	4,956,583	0
Balance End of Year	\$ 5,926,430	4,579,248	4,930,856	995,574

See accompanying independent auditor's report.

Lyon County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,132,421	(164,292)	12,968,129
Expenditures	12,169,161	(243,420)	11,925,741
Net	963,260	79,128	1,042,388
Other Financing Sources, Net	6,587	(2,070)	4,517
Beginning Fund Balances	4,956,583	984,785	5,941,368
Ending Fund Balances	\$ 5,926,430	1,061,843	6,988,273

See accompanying independent auditor's report.

Lyon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted receipts by \$209,708 and budgeted disbursements by \$567,352. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2013, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department.

Lyon County

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	0	\$ 81,273	\$ 81,273	0.00%	3,243,687	2.5%
2011	Jul 1, 2009	0	81,273	81,273	0.00%	3,453,055	2.4%
2012	Jul 1, 2009	0	81,273	81,273	0.00%	3,518,039	2.3%
2013	Jul 1, 2012	0	452,697	452,697	0.00%	3,454,701	13.1%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Lyon County

Supplementary Information

Lyon County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2013

	Special		
	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Assets			
Cash, Cash Equivalents and Pooled Investments	\$ 38,520	13,538	21,916
Receivables:			
Accounts Receivable	0	0	0
Due from Agency Funds	0	823	0
Due from Other Governments	0	0	0
Total Assets	\$ 38,520	14,361	21,916
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	9,291	0	0
Due to Other Governmental Funds	0	0	0
Deferred Revenue:			
Other	0	0	0
Total Liabilities	9,291	0	0
Fund Balances:			
Restricted For:			
Other Purposes	29,229	14,361	21,916
Committed For:			
Economic Development Purposes	0	0	0
Unassigned	0	0	0
Total Fund Balances	29,229	14,361	21,916
Total Liabilities and Fund Balances	\$ 38,520	14,361	21,916

See accompanying independent auditor's report.

Revenue					
CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Revolving Loans- Development Projects	Total
32	27,973	64,189	25,504	110,581	302,253
2,072	0	953	0	8,300	11,325
0	0	0	0	0	823
68,545	0	0	359	0	68,904
70,649	27,973	65,142	25,863	118,881	383,305
68,545	0	4,478	0	0	82,314
21,700	0	0	0	0	21,700
68,545	0	0	0	0	68,545
158,790	0	4,478	0	0	172,559
0	27,973	0	25,863	0	119,342
0	0	60,664	0	118,881	179,545
(88,141)	0	0	0	0	(88,141)
(88,141)	27,973	60,664	25,863	118,881	210,746
70,649	27,973	65,142	25,863	118,881	383,305

Lyon County

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds**

Year Ended June 30, 2013

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Revenues:			
Intergovernmental	\$ 9,681	0	0
Charges for Service	0	3,573	0
Use of Money and Property	158	69	0
Miscellaneous	0	0	9,774
Total Revenues	9,839	3,642	9,774
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	3,477
County Environment and Education	4,795	0	0
Governmental Services to Residents	0	11,153	0
Capital Projects	14,292	0	0
Total Expenditures	19,087	11,153	3,477
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,248)	(7,511)	6,297
Other Financing Sources:			
Operating Transfers In	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(9,248)	(7,511)	6,297
Fund Balances Beginning of Year	38,477	21,872	15,619
Fund Balances End of Year	\$ 29,229	14,361	21,916

See accompanying independent auditor's report.

Schedule 2

CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Revolving Loans- Development Projects	Total
0	0	0	0	0	9,681
72,723	0	0	0	0	76,296
271	0	0	0	0	498
2,067	0	982	2,789	20,510	36,122
75,061	0	982	2,789	20,510	122,597
0	0	0	3,463	0	6,940
0	0	119,750	0	0	124,545
0	0	0	0	0	11,153
260,856	0	0	0	0	275,148
260,856	0	119,750	3,463	0	417,786
(185,795)	0	(118,768)	(674)	20,510	(16,759)
0	0	0	130,000	0	0
0	0	0	130,000	0	0
97,654	27,973	49,432	26,537	98,371	375,935
97,654	27,973	179,432	26,537	98,371	359,176

Lyon County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, Cash Equivalents and Pooled Investments:					
County Treasurer	\$ 0	2,087	111,602	88,966	4,549
Other County Officials	73,227	0	0	0	0
Flex Spending Plan	0	0	0	0	0
Receivables:					
Property Tax:					
Delinquent	0	1	1	33	2
Succeeding Year	0	202,719	273,164	8,522,724	481,053
Tax Increment Financing:					
Succeeding Year	0	0	0	0	0
Accounts	917	0	0	0	0
Due from Other Agency Fund	0	0	0	0	0
Due from Other Governments	0	0	0	0	0
Inventories	1,193	0	444	0	0
Prepaid Expenses	0	0	23,696	0	0
Total Assets	\$ 75,337	204,807	408,907	8,611,723	485,604
Liabilities					
Accounts Payable	\$ 0	0	16,907	0	0
Due to County's Governmental Funds	56,134	0	0	0	0
Due to Other Agency Fund	296	0	0	0	0
Due to Other Governments	16,618	204,807	376,891	8,611,723	485,604
Trusts Payable	2,289	0	0	0	0
Compensated Absences	0	0	15,109	0	0
Total Liabilities	\$ 75,337	204,807	408,907	8,611,723	485,604

See accompanying independent auditor's report.

Schedule 3

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
25,685	2,827	240,221	133,947	8,008	41,912	90,240	6,069	756,113
0	0	0	0	0	0	0	0	73,227
0	0	0	0	0	0	0	6,778	6,778
46	0	0	0	0	0	0	0	83
2,316,634	292,326	0	0	0	0	0	2,298	12,090,918
433,305	0	0	0	0	0	0	0	433,305
0	0	0	14,440	0	0	0	0	15,357
0	0	0	0	0	0	0	296	296
0	0	0	15,486	0	14,514	0	0	30,000
0	0	0	0	0	0	0	0	1,637
0	0	0	0	0	0	0	0	23,696
2,775,670	295,153	240,221	163,873	8,008	56,426	90,240	15,441	13,431,410
0	0	0	1,156	0	146	0	0	18,209
0	0	10,327	0	0	0	0	154	66,615
0	0	0	0	0	0	0	0	296
2,775,670	295,153	229,894	162,717	8,008	56,280	0	6,154	13,229,519
0	0	0	0	0	0	90,240	9,133	101,662
0	0	0	0	0	0	0	0	15,109
2,775,670	295,153	240,221	163,873	8,008	56,426	90,240	15,441	13,431,410

Lyon County

**Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds**

Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
Assets and Liabilities						
Balances Beginning of Year	\$ 76,375	192,660	349,528	52,945	8,328,845	419,903
Additions:						
Property and Other County Tax (Including TIF)	0	202,774	273,243	0	8,186,815	481,166
E911 Surcharge/State Wireless	0	0	0	0	0	0
State Tax Credits	0	9,286	14,045	0	393,016	20,239
Intergovernmental Replacements, Grants and Revenues	0	87	132	0	3,615	191
Contribution from Lyon County	0	0	0	0	0	0
Forfeitures	9,774	0	0	0	0	0
Office Fees and Collections	339,984	0	325	0	0	0
Elections	4,120	0	0	0	0	0
Electronic Transaction Fee	0	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0	0
Interest	28	0	0	0	0	0
Assessments	0	0	0	0	0	0
Trusts	32,014	0	0	0	0	0
Donation	0	0	0	0	0	0
Reimbursement - Hazmat Damages	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Transfer from County Assessor - Special Appraisers Fund	0	0	52,945	0	0	0
Total Additions	385,920	212,147	340,690	0	8,583,446	501,596
Deductions:						
Agency Remittances:						
To County Funds/Other Agency Funds	169,825	0	51,840	52,945	0	0
To Other Governments	188,278	200,000	229,471	0	8,300,568	435,895
Trusts Paid Out	28,855	0	0	0	0	0
Total Deductions	386,958	200,000	281,311	52,945	8,300,568	435,895
Balances End of Year	\$ 75,337	204,807	408,907	0	8,611,723	485,604

See accompanying independent auditor's report.

Schedule 4

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
2,812,906	266,678	272,769	196,656	8,008	52,176	105,833	12,092	13,147,374
2,748,355	292,403	0	0	0	0	0	2,298	12,187,054
0	0	0	123,250	0	0	0	0	123,250
131,666	11,911	0	0	0	0	0	103	580,266
2,675	68	0	0	0	16,296	0	1	23,065
0	0	0	0	0	42,376	0	0	42,376
0	0	0	0	0	0	0	0	9,774
0	0	0	0	0	0	0	277	340,586
0	0	0	0	0	0	0	0	4,120
0	0	0	0	0	0	0	3,573	3,573
0	0	3,743,848	0	0	0	0	0	3,743,848
0	0	0	534	0	0	0	2	564
0	0	0	0	0	0	0	56,917	56,917
0	0	0	0	0	0	97,646	116,625	246,285
0	0	0	49,821	0	0	0	0	49,821
0	0	0	0	0	6,660	0	0	6,660
0	0	0	413	0	0	0	0	413
0	0	0	0	0	0	0	0	52,945
2,882,696	304,382	3,743,848	174,018	0	65,332	97,646	179,796	17,471,517
0	0	142,345	10,000	0	3,020	0	0	429,975
2,919,932	275,907	3,634,051	196,801	0	58,062	0	60,849	16,499,814
0	0	0	0	0	0	113,239	115,598	257,692
2,919,932	275,907	3,776,396	206,801	0	61,082	113,239	176,447	17,187,481
2,775,670	295,153	240,221	163,873	8,008	56,426	90,240	15,441	13,431,410

Lyon County
Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds
For the Last Ten Years

	Modified			
	2013	2012	2011	2010
Revenues:				
Property and Other County Tax	\$ 5,843,719	5,443,083	4,876,829	4,411,208
Local Option Sales Tax	616,018	716,701	506,400	461,496
Hotel/Motel Tax	111,806	133,182	0	0
Tax Increment Financing	335,741	80,478	34,573	28,097
Interest and Penalty on Property Tax	22,984	21,567	24,040	22,061
Intergovernmental	4,697,199	5,291,886	6,338,486	5,191,837
Licenses and Permits	62,559	77,845	71,427	68,272
Charges for Service	866,816	940,095	831,945	773,429
Use of Money and Property	135,751	141,876	156,496	182,685
Miscellaneous	275,536	361,804	421,700	60,018
Total	\$ 12,968,129	13,208,517	13,261,896	11,199,103
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 3,057,014	2,788,242	2,782,976	2,572,767
Physical Health and Social Services	818,020	783,744	793,614	785,963
Mental Health	426,553	1,054,644	1,108,429	1,007,259
County Environment and Education	827,644	767,823	709,847	713,793
Roads and Transportation	3,995,491	4,767,489	5,034,748	3,424,984
Governmental Services to Residents	535,107	475,670	419,614	419,591
Administration	1,110,242	1,088,565	988,381	896,744
Non-Program Current	85,741	80,478	105,742	28,097
Debt Service	242,323	241,523	242,866	279,673
Capital Projects	827,606	1,458,493	1,163,223	139,202
Total	\$ 11,925,741	13,506,671	13,349,440	10,268,073

See accompanying independent auditor's report.

Schedule 5

Accrual				Basis	
2009	2008	2007	2006	2005	2004
4,057,468	3,923,669	3,894,317	3,733,047	3,539,313	3,608,073
466,114	442,135	453,163	383,787	389,263	345,675
0	0	0	0	0	0
27,130	17,915	17,213	14,797	14,190	261
19,766	19,218	22,041	19,738	17,152	15,291
5,143,744	4,731,502	4,609,589	4,335,191	4,287,056	4,808,141
59,212	47,818	49,094	47,705	41,479	38,800
763,311	766,261	699,946	581,167	575,013	586,045
213,890	291,628	311,459	245,570	181,556	125,310
138,376	91,996	208,452	119,583	48,906	63,215
10,889,011	10,332,142	10,265,274	9,480,585	9,093,928	9,590,811
2,461,084	2,234,702	2,134,146	1,967,122	1,735,753	1,683,355
758,292	744,482	685,546	625,689	577,077	610,516
1,017,862	1,069,718	985,661	914,771	929,935	839,397
745,926	692,411	660,724	487,539	436,917	450,422
3,900,660	3,174,767	3,452,833	3,393,828	3,085,781	2,645,446
451,162	377,071	335,089	443,417	321,632	289,005
855,233	875,240	803,685	752,959	714,501	692,475
27,130	17,915	17,213	14,797	16,190	627,685
252,685	280,383	286,239	287,438	279,527	275,772
816,779	97,793	451,859	845,786	636,410	432,796
11,286,813	9,564,482	9,812,995	9,733,346	8,733,723	8,546,869

Lyon County

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

DE NOBLE, AUSTIN & COMPANY PC

Certified Public Accountants

111 S. Story Street
Rock Rapids, IA 51246
www.denoblepc.com

MEMBERS
American Institute - Certified Public Accountants
Private Companies Practice Section
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549
Fax : (712) 472-2540
Email : cpas@denoblepc.com

Independent Auditor's Report on **Internal Control over Financial Reporting and on Compliance and Other Matters** **Based on an Audit of Financial Statements Performed in Accordance with** **Government Auditing Standards**

To the Officials of Lyon County:

We have audited in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lyon County's internal control over financial reporting to determine the audit of the financial statements, procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lyon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Lyon County's internal control described in Part I of the accompanying Schedule of Findings as items 13-A, D, E, G, H, I, K, L and M to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 13-B, C, F and J to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lyon County's Responses to Findings

Lyon County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Lyon County's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lyon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 23, 2014

Lyon County
Schedule of Findings

Lyon County
Schedule of Findings
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

13-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, also assists in maximizing the accuracy of the County's financial statements. We noted a lack of segregation of duties (incompatible duties, from a control standpoint, are being performed by the same employee) over financial transactions, recordkeeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management and E911.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation that should be retained, to the cash receipt records and to the actual deposit made by an independent person.
- b) Bank accounts should be reconciled and reviewed promptly at the end of each month by individuals who do not sign checks, handle or record cash/checks.
- c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records.
- d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure that all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- e) Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions.
- f) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.
- g) Billings for services, the recordkeeping of accounts receivable and other receivables, and the handling of receipts should be segregated. The billing rates being charged should be verified by independent individuals on a regular basis.

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

- h) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks. Procedures need to be established to ensure that both of the individuals whose signature is on the check have reviewed the supporting documentation for the check and approve issuing the check.
- i) The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.
- j) The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of his or her office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will have each office evaluate these recommendations. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response accepted. It is important that you attempt to implement these recommendations.

13-B

Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County's accounting systems (mainly some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will have each applicable office work on creating a written accounting procedures manual for their accounting system.

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

- 13-C Prevention Controls Review – Prevention controls need to be reviewed specifically at the County Conservation Office, but it would be beneficial for all offices to review.
- Recommendation – Prevention controls (example: smoke detectors should be considered for fire prevention and detection) should be reviewed for adequacy.
- Response – We will evaluate the effectiveness of our prevention controls and take any necessary steps that are deemed needed at each location.
- Conclusion – Response accepted. Please do review prevention controls at each of the County's locations.
-
- 13-D Capital Assets – There is not a yearly independent inventory taken of capital assets. Capital assets are not being marked for identification purposes.
- Recommendation – On a yearly basis, an independent person should be responsible for verifying the existence of the capital assets under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.
- Response – We will stress the need for security over capital assets until we can get your recommendation implemented.
- Conclusion – Response accepted. Please attempt to begin working on implementing this recommendation.
-
- 13-E Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.
- Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties.
- Response – We will have each office work on making sure its personnel are rotating duties and being cross-trained.
- Conclusion – Response accepted. Please do have each office attempt to implement this recommendation.
-
- 13-F Usage of County Vehicles – When using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling are not always noted on the credit card

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

receipt. Vehicle/machinery mileage logs are not always being maintained and being compared to fuel consumption on a regular basis.

Recommendation – Per the County’s employee handbook, when using County credit cards for fueling, the vehicle’s identification and the mileage at the time of fueling should always be noted on the credit card receipt. Mileage and fuel logs should be maintained on each vehicle/piece of machinery and tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this handbook policy is implemented.

Response – We will stress to each of the appropriate departments the importance of implementing this.

Conclusion – Response accepted. Please make sure the appropriate departments develop procedures to implement this recommendation.

13-G

Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions in certain offices when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- requiring password changes on computers not connected to the mainframe because the software does not require the user to change log-ins/passwords periodically.
- requiring the password to use multiple characters on the keyboard.
- requiring special passwords to change pay rates.

Recommendation – Written policies should be developed addressing the above provisions in order to improve the control over computer based system procedures.

Response – We will address these computer related issues with each of the individual offices and our software providers to ensure all procedures are implemented.

Conclusion – Response accepted. Please attempt to develop policies/procedures that implement these recommendations.

13-H

Payroll Issues – The County does not have any formal written employee performance evaluation process.

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

Payroll time sheets are not always being signed/formally approved by the employee or the employee's supervisor. Also, there are several employees that do not fill out time sheets.

Recommendation – The County should consider implementing a formal written employee performance evaluation process. The results of the employee evaluations should be reviewed with the Board of Supervisors.

The County should consider the need to require all County personnel to prepare daily time sheets or time cards. All County time cards/sheets should have a signature line for the employee and the employee's direct supervisor that should be required to be completed before payroll is processed in order to attest to the accuracy of hours worked.

Response – The Board of Supervisors will consider the written employee evaluation issue. Also, the Board will address the issue of everyone needing to complete time cards/sheets that are signed off as to the accuracy by both the employee and the department head.

Conclusion – Response accepted.

13-I Inventory Records – Inventory records did not always reconcile to the year end physical count. Inventory records are not being monitored on a regular on-going basis.

Recommendation – Inventory procedures and monitoring should be analyzed for ways to increase accuracy, controls and efficiency.

Response – We will have the appropriate offices work on improving inventory procedures and related records.

Conclusion – Response accepted. Please have each appropriate department start developing accurate inventory records immediately.

13-J Earned Comp Time – We noted a few exempt employees who received and used comp time during the year; however, according to the County's employee policies/handbook, exempt employees are not eligible to earn comp time.

Recommendation – An evaluation needs to be made to determine which employees are considered to be included in the exempt status as not eligible for comp time. It also needs to be clear in the employee handbook whether comp time is allowed to be earned by exempt employees in each department and clearly have legal counsel document why some exempt employees get comp time and other exempt employees do not to ensure the legality of this approach. The County needs to develop procedures to ensure all employee handbook policies are being followed.

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

Response – We will attempt to have work with legal counsel and the department heads to come up with a legally proper policy.

Conclusion – Response accepted.

- 13-K Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues and expenses/expenditures not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues and expenses/expenditures are identified and included in the County's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please do review your procedures.

- 13-L Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place, operating properly to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and being monitored on a regular basis. County management also needs to communicate the County's expected ethics and hold County employees accountable to exhibit those expected ethics.

Response – We will address your recommendations and attempt to re-establish a culture based on ethical behavior.

Conclusion – Response accepted. Please do address our recommendation.

- 13-M Confidential Law Enforcement Investigation Purposes – All cash funds and disbursements for confidential law enforcement investigation purposes were not under dual control. Written records of these funds were not reviewed regularly.

Recommendation – The County Attorney, or at least one other independent individual, and a law enforcement employee should cooperate and establish a system to administer all cash

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

funds and disbursements for confidential law enforcement investigation purposes. The written records of these funds should be reviewed regularly by the County Attorney or another independent individual.

Response – We will have the Sheriff's Office and County Attorney address this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

Part II: Other Findings Related to Required Statutory Reporting:

13-1 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amount budgeted for any function or the amount appropriated for any department.

13-2 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

We noted several meal expense reimbursements to employees that did not have the proper support retained, as well as instances of missing receipts altogether. The County also purchased a retirement gift for an employee, but did not have the public purpose for the expenditure properly documented.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation. All disbursements, including credit card charges/employee meal charges and gifts, should be supported by an actual receipt/invoice that supports the charge in detail, and be properly documented as to the public purpose of the expenditure.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted. It is important that these issues are addressed.

13-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see "Other Findings Related to Required Statutory Reporting: 13-2" for a possible related comment.

13-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deep Clean Inc., Jennifer Smit's Husband is a Shareholder, County Auditor	Custodial services	\$ 16,119

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

Todd Reinke, Owner of Todd's True Value, Conservation Board Member	Supplies	1,103
A & R Snow Removal, Roberta Flier's Husband is the Owner, Dispatcher	Snow removal	2,115
Corey Heimensen, Husband of Heather Heimensen, Crime Victim Witness Coordinator	Rent (Veterans Affairs)	1,800
Rapid Flooring, LuAnn Serck's Husband is an Owner, Dispatcher	Carpet	4,484

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Todd's True Value do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Deep Clean Inc., Rapid Flooring, and A & R Snow Removal do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding. The transactions with Corey Heimensen do not appear to represent conflicts of interest due to the Veterans Affairs director is employed by Corey Heimensen and conducts Veterans Affairs business at Mr. Heimensen's office.

13-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

13-6 Board Minutes – During recording excerpts of the Board of Supervisor minutes, an instance was found where a handwritten check was not included in the minutes as formally approved. Additionally, we noted an instance where the Board minutes were not published until 37 days after the Board meeting.

Recommendation – The County should implement procedures to ensure that all checks are properly approved in the Board minutes and requirements for proper and timely publishing of Board minutes is completed in accordance with Chapter 394.18 of the Iowa Code.

Response – We will implement procedures to be in accordance with Iowa Code requirements of having all checks approved by the Board in the minutes and making sure all minutes are published timely.

Conclusion – Response accepted.

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

- 13-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 13-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 13-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review Part I: "Findings Related to the Financial Statements – Internal Control Deficiencies" for reportable conditions that relate to the Extension or could improve the Extension's internal control.

The Extension has adopted a written policy where full time employees can get up to \$2,000 annually towards health insurance but this policy does not authorize any medical spending plan reimbursements. The Extension actually allows for employees to get up to the \$2,000 maximum by using a combination of health insurance premiums and medical spending plan reimbursements.

Recommendations – The Extension should ensure that personnel policies and actual procedures being followed correspond. The Extension needs to approve a formal flex medical spending plan if plans are to continue the existing practice.

Response – We will implement your recommendations.

Conclusion – Response accepted.

- 13-10 Urban Renewal Annual Report – The County's urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- 13-11 Internal Revenue Service Reporting Compliance – The County did not report on employees' W-2s the non-cash taxable fringe benefit for any personal use, including commuting, of

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

County provided vehicles that do not qualify as non-personal use vehicles in accordance with Internal Revenue Service standards.

Recommendation – The County should be determining the actual value of this fringe benefit for each employee and include this taxable value on the employee's W-2 income.

Response – We will evaluate this compliance issue.

Conclusion – Response accepted. The County should comply with the Internal Revenue Service Code.

- 13-12 Sheriff's Deputies Overtime – The County is not correctly calculating overtime and comp time for the Sheriff's Office deputies. The County should be following the Fair Labor Standards Act 91600 Section 207(k), which requires 171 hours in a 28 day work period before comp or overtime is earned.

Recommendation – The County should change the payroll procedures to correctly calculate overtime for Sheriff's Office deputies to be compliance with the Fair Labor Standards Act.

Response – We have subsequently changed the procedures to correctly calculate overtime for Sheriff's Office deputies.

Conclusion – Response accepted.

- 13-13 Emergency Management and E911 Board Minutes – The Emergency Management and E911 Board minutes do not always report in the minutes that claims issued since the last meeting were approved and that the prior minutes are proper as printed. Additionally, when claims are approved in the minutes, the listing of the claims approved is not a part of the minutes to verify accuracy and completeness.

Recommendation – The Emergency Management and E911 Board minutes should document formal approval of all paid claims and the prior meeting's minutes should be approved in the text of the minutes at the next meeting to verify accuracy of the minutes.

Response – We will attempt to have these Boards comply with your recommendations.

Conclusion – Response accepted.

- 13-14 TIF Certification – The Auditor's Office is responsible for monitoring TIF development agreements. We noted one company which is not submitting the semi-annual certification documentation demonstrating that all covenants are being performed in compliance with

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

the TIF development agreement. Additionally, the County improperly certified more in TIF proceeds than the amount of certified debt during fiscal year 2013 due to errors in the TIF reconciliations for a couple of the cities in the County.

Recommendation – The County should implement procedures to ensure that all requirements of TIF development agreements are being met before submission of TIF collections are made available to the recipients. Also, to assist the County Auditor in performing their duty in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, “to provide for the division of taxes in each subsequent year without further certification...until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund”, the County Auditor should prepare an accurate reconciliation of each City’s TIF receipts and TIF debt certified. The County should seek legal counsel as to what to do about the excess TIF debt certified for a couple cities.

Response – We will implement these recommendations/discuss this issue with the County Attorney.

Conclusion – Response accepted.

- 13-15 Interfund Debt – The proper procedures in accordance with Chapters 331.478 and 331.479 of the Iowa Code were taken to authorize interfund debt that would not be repaid by June 30, 2013; however, the amount of interfund debt listed in the notice of public hearing publication and authorized in the resolution was less than the actual outstanding debt (maximum of \$20,000 authorized; \$21,700 outstanding at June 30, 2013). Additionally, in another interfund loan, the notice of hearing publication and the approved resolution listed the wrong fund the loan was to be repaid to (should have been the Secondary Roads Fund, not the General Fund).

Recommendation – The County should implement procedures to ensure that all aspects of Chapters 331.478 and 331.479 of the Iowa Code are being followed. Specifically, the proper amount of debt and the actual funds involved in the interfund loans need to be properly approved.

Response – We will implement this recommendation

Conclusion – Response accepted.

- 13-16 Deficit Fund Balances – There was a deficit fund balance of \$88,141 noted in the CS Projects & Conservation Land Acquisition Trust Fund at June 30, 2013. Additionally, the County Tax Increment Financing Fund had a deficit fund balance at June 30, 2013 of \$494,850.

Recommendation – The County should implement procedures to monitor fund balances in order to avoid deficit fund balances.

**Lyon County
Schedule of Findings
Year Ended June 30, 2013**

Response – We will implement this recommendation. TIF collections are going to be used to eliminate the County Tax Increment Financing Fund deficit. Additionally, anticipated grant proceeds and fees to be collected from Lake Pahoja will be used to eliminate the deficit in the CS Projects & Conservation Land Acquisition Trust Fund.

Conclusion – Response accepted.

- 13-17 Sheriffs Asset Forfeiture Fund – The County is required to deposit 90% of forfeited property into the Sheriffs Asset Forfeiture Fund to be specifically used for investigations. We noted that this portion of the forfeited property was being held at the Sheriff's Office in the form of cash instead of being deposited into the Sheriffs Asset Forfeiture Fund.

Recommendation – The County, particularly the County Attorney and Sheriff's Offices, should implement procedures to ensure that forfeited assets are properly accounted for and timely deposited to the Sheriff's Asset Forfeiture Fund.

Response – We will work on implementing your recommendation.

Conclusion – Response accepted.

- 13-18 Auditor's Duties – Under Iowa Code Chapter 331.508, the County auditor shall keep a record book of the names and addresses of persons receiving veteran's assistance. However, the County Auditor does not maintain these records as written under Iowa Code Chapter 331.508 based on the Auditor's office interpretation that the requirements under Iowa Code Chapter 35B.10 governing Veteran's Affairs overrules the requirements in Iowa Code Chapter 331.508.

Recommendation – The County Auditor should consult legal counsel regarding the interpretation of these Iowa Code statutes and work with the Veteran's Affairs to ensure the Iowa Code requirements are being properly followed.

Response – We will work with legal counsel on determining which Iowa Code Section should be followed.

Conclusion – Response accepted.

Lyon County

Staff

This audit was performed by:

David De Noble, CPA, Senior Auditor
Carmen Austin, CPA, Senior Auditor
Kayla Reck, Assistant Auditor
Nathan Hoekstra, Assistant Auditor

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants